

March 29, 2011

Mr. Daniel S. Sullivan, Commissioner
Alaska Department of Natural Resources
550 W. 7th Ave., Suite 1400
Anchorage, AK 99501-3557

**DIVISION OF
OIL AND GAS**
Rex A. Rock, Sr., President
Arctic Slope Regional Corporation
P. O. Box 129
Barrow, Alaska 99723

**RE: Southern Miluveach Unit Application
 (Revised to include Arctic Slope Regional Corporation minerals)**

On December 15, 2010, in accordance with 11 AAC 83.306, Brooks Range Petroleum Corporation ("BRPC"), as Operator and on behalf of the working interest owners of the proposed Southern Miluveach Unit ("SMU"), applied to the Department of Natural Resources (the "Department") for approve of the proposed SMU Agreement and the formation of the proposed SMU. BRPC was asked to expand the SMU Area to include leases covering Arctic Slope Regional Corporation ("ASRC") minerals. This is an amended application as requested by the Department and ASRC.

BRPC is qualified to be a unit operator under 11 AAC 83.331.

In accordance with 11 AAC 83.341, 11 AAC 83.343, and Section 8.1 of the proposed SMU Agreement, BRPC, as operator and on behalf of the working interest owners of the proposed SMU hereby requests approval of the Initial Unit Plan for the SMU.

**I. APPROVAL OF UNIT AGREEMENT AND FORMATION OF
 SOUTHERN MILUVEACH UNIT**

A. Proposed Unit Agreement. BRPC requests that the Department and ASRC approve the proposed SMU Agreement enclosed herein.

B. Proposed Unit Area.

11 AAC 83.356(a) provides that a unit must encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations. The proposed SMU encompasses a large number of small identified prospects. The original application included a CONFIDENTIAL Geological, Geophysical, and Engineering Submittal, with well data, maps, seismic lines, and interpretations of those data supporting all the prospects and potential hydrocarbon accumulations in the proposed SMU Area.

A revised map of the proposed SMU Area is attached to the proposed SMU Agreement as Exhibit B, which is enclosed herein.

The proposed SMU will unitize all or portions of the following 29 State of Alaska leases, totaling 60,864.00 acres:

<u>Tract No.</u>	<u>ADL No.</u>	<u>Total Acres</u>	<u>Effective Date</u>	<u>Expiration Date</u>
1	390507	2,459.00	4/1/2004	3/31/2011
2	390502	2,469.00	5/1/2004	4/30/2011
3	391546	2,560.00	7/1/2010	6/30/2017
4	391547	1,280.00	7/1/2010	6/30/2017
5	390498	640.00	5/1/2004	4/30/2011
6	390498	640.00	5/1/2004	4/30/2011
7	390498	1,280.00	5/1/2004	4/30/2011
8	390499	640.00	5/1/2004	4/30/2011
9	390499	640.00	5/1/2004	4/30/2011
10	390501	640.00	5/1/2004	4/30/2011
11	390501	1,920.00	5/1/2004	4/30/2011
12	390500	2,560.00	5/1/2004	4/30/2011
13	391448	1,239.00	6/1/2009	5/31/2014
14	391550	1,241.00	7/1/2010	6/30/2017
15	391447	640.00	6/1/2009	5/31/2014
16	391549	1,920.00	7/1/2010	6/30/2017
17	391548	1,920.00	7/1/2010	6/30/2017
18	390690	640.00	7/1/2005	6/30/2012
19	390691	2,560.00	7/1/2005	6/30/2012
20	391551	1,920.00	7/1/2010	6/30/2017
21	390692	640.00	7/1/2005	6/30/2012
22	391552	2,491.00	7/1/2010	6/30/2017
23	391446	2,560.00	6/1/2009	5/31/2014
24	391321	2,560.00	8/1/2008	7/31/2013
25	391206	640.00	9/1/2007	8/31/2012
26	391206	604.00	9/1/2007	8/31/2012
27	391206	607.00	9/1/2007	8/31/2012
28	391206	640.00	9/1/2007	8/31/2012
29	390482	1,889.00	4/1/2004	3/31/2011
30	391435	2,560.00	6/1/2009	5/31/2014
31	391434	2,560.00	6/1/2009	5/31/2014
32	391540	2,501.00	7/1/2010	6/30/2017
33	390681	2,560.00	7/1/2005	6/30/2012
34	390680	2,560.00	7/1/2005	6/30/2012
35	390682	1,280.00	7/1/2005	6/30/2012

36	390499	640.00	5/1/2004	4/30/2011
37	390499	640.00	5/1/2004	4/30/2011
38	390482	612.00	4/1/2004	3/31/2011
39	390483	615.00	4/1/2004	3/31/2011
40	390483	1,280.00	4/1/2004	3/31/2011
41	390483	617.00	4/1/2004	3/31/2011
		60,864.00		

A more complete description of the leases proposed to be included in the SMU Area is set forth in Exhibit A to the proposed SMU Agreement.

C. Approval Criteria.

11 AAC 83.303(a) Criteria

BRPC respectfully submits that approval of the proposed SMU Agreement and formation of the SMU meets the criteria of 11 AAC 83.303(a), because it will:

⇒ promote the conservation of all natural resources, including all or part of an oil and gas pool, field or like area:

- Unitization of the leases in the SMU Area provides an efficient, integrated approach to development of the numerous potential reservoirs which promotes the conservation of all natural resources. Environmental impacts will be reduced by unitized development of these accumulations. One operator can efficiently plan and execute a development plan for all these numerous potential reservoirs utilizing a minimum amount of surface facilities and infrastructure.
- BRPC's relationship with the Kuukpik Corporation offers the State of Alaska and ASRC the best opportunity to for near term exploration and development on Kuukpik Surface lands within the SMU Area. BRPC is committed to working with Kuukpik Corporation and the residents of the Village of Nuiqsut to find ways to mitigate potential impacts from oil and gas exploration and development on Kuukpik Surface lands within the proposed SMU Area.

⇒ promote the prevention of economic and physical waste:

- Unitization of the leases in the SMU Area will promote the prevention of economic and physical waste by maximizing the recovery of oil and gas, and avoiding competitive developments of reservoirs which causes waste. Unitization allows exploration and development wells to be drilled in the best possible location to maximize drainage. Unitization allows for implementation of economic reservoir pressure maintenance efforts as early as first production in each individual reservoir. Unitization allows numerous relatively small

accumulations to share facilities and infrastructure to achieve synergies required to justify economic development.

- The high cost, high risk, and the marginal nature of the potential hydrocarbon accumulation requires numerous prospects being explored and developed as a program which then generate economic synergies and improves the probability of discovering an economic development. The pace of exploration and development is linked to the ability of any operator to accumulate an acreage position which offers sufficient access and control of enough prospects to offer said synergies and improved probability of an economic development. To amass all of the oil and gas leases comprising the proposed SMU Area, BRPC, as operator, successfully completed land transactions described in the attached Exploration History document over the last 7 years.

⇒ provide for the protection of all parties of interest, including the state:

- Unitization of the leases in the SMU Area will provide for the protection of all parties of interest by allowing production from each individual reservoir to be allocated back to each tract contributing to production in paying quantities based on the interpretation of all the geological, geophysical, engineering, and well data available.
- To date, the WIO's have spent well over \$20 MM exploring the proposed SMU Area. The information obtained from this effort has led to the identification of many potential hydrocarbon accumulations and additional prospects inside the proposed SMU Area. The WIO's wish to continue their exploratory activities and conduct future development activities in the SMU Area subject to the terms and conditions of the proposed SMU Agreement.

11 AAC 83.303(b) Criteria

1. Environmental Costs and Benefits of Formation of the SMU (11 AAC 83.303(b)(1)).

During exploration and through development operations of the SMU, activities will have the minimum amount of surface impact consistent with the prudent and efficient development practices of the oil and gas resources on the North Slope. This can only happen through unitized development. The environmental impacts would be significantly greater if the reservoirs were developed on a lease-by-lease or well-by-well basis, rather than on an integrated unitized basis.

2. Geological and Engineering Characteristics of the SMU reservoirs (11 AAC 83.303(b)(2)).

The CONFIDENTIAL Geological, Geophysical, and Engineering Submittal describes the characteristics of the SMU potential hydrocarbon accumulations and exploration prospects.

3. Prior Exploration Activities in the Proposed SMU Area (11 AAC 83.303(b)(3)).

A description of prior exploration activities in the proposed SMU Area is attached.

4. Plan for Exploration of the Proposed SMU Area (11 AAC 83.303(b)(4)).

Exhibit G to the proposed SMU Agreement sets forth the SMU working interest owners' proposed Initial Unit Plan of Exploration.

5. Economic Costs and Benefits to the State (11 AAC 83.303(b)(5)).

A primary goal of unitization is the protection of the parties in interest in one or more hydrocarbon accumulations. The formation of the proposed SMU extends these benefits and protections to leases considered likely to be capable of contributing to production from the SMU reservoirs.

The State's and ASRC's economic interest is protected by maximizing the physical recovery of hydrocarbons from the SMU reservoirs. Maximizing hydrocarbon recovery in turn assures that the production-based revenue accruing to the State and ASRC is also maximized. Allocation of said production on a unitized tract basis ensures a clear and equitable share of royalties between the minerals owners.

Unitization also encourages investment in exploration which will lead to development of new, currently undeveloped leases. Unitization fosters new production sources which will stem the decline in North Slope production, generating jobs for North Slope residents and other Alaskans, provide long-term tax revenue to the North Slope Borough and State of Alaska, and increase the longevity of the Trans-Alaska Pipeline System. Therefore, the State's and ASRC's economic interest is protected by unitized development of the SMU reservoirs.

Unitized operations within the proposed SMU Area will also minimize surface impacts to the area's cultural, biological, and environmental resources.

6. Other relevant factors (11 AAC 83.303(b)(6)).

BRPC is one of only two companies to have successfully negotiated a surface access agreement with Kuukpik Corporation. BRPC is committed to working with Kuukpik Corporation, the residents of the Village of Nuiqsut, and Native Allotment Owners to find ways to mitigate potential impacts from oil and gas exploration and development on Kuukpik Corporation surface lands within the proposed Putu Unit Area.

D. Term.

BRPC requests that the effective date of the formation of the proposed SMU be March 31, 2011, and the term last for five (5) years until March 31, 2016, subject the terms and conditions of the SMU Agreement. Pursuant to 11 AAC 83.336 (a)(2), if exploration operations have been conducted in accordance with the Initial Unit Plan, as approved, and subject to the Department's and ASRC's approval after the first five years, BRPC requests the SMU be extended for another five years.

E. Attachments.

The following items required by 11 AAC 83.306 are provided as part of and in support of this application for formation of the SMU:

1. SMU Agreement (11 AAC 83.306(1))
 - Exhibit A – Map of the SMU Area
 - Exhibit B – Description of Leases in the SMU Area
 - Exhibit G – Initial Unit Plan (11 AAC 83.306(1))
2. Two operating agreements have been executed by the working interest owners. The two operating agreements have been combined into the SMU Operating Agreement with a geographical boundary showing which operating will govern for each tract within the SMU. The following unit operating agreement is submitted for information purposes only (11 AAC 83.306(2)).
 - Southern Miluvecch Unit Operating Agreement, with attached exhibits being the:
 - Areawide AMI Joint Operating Agreement, dated September 16, 2008; and
 - North Tarn Operating Agreement, dated December 31, 2009;
3. Geological, Geophysical, and Engineering Submittal (11 AAC 83.306(4)) (**CONFIDENTIAL**), previously submitted under separate cover.
4. A description of prior exploration activities in the proposed SMU Area and vicinity was previously submitted.
5. Back-up documents were previously submitted:
 - Affidavit of Mailing executed by James R. Winegarner.
 - Copies of cover letters from BRPC to all the working interest owners and overriding royalty interest owners in the proposed

SMU Area inviting them to join the proposed SMU Agreement, along with certified mail receipts. These letters and receipts show that all working interest owners in the proposed SMU Area have been invited to join the proposed SMU Agreement.


II. APPROVAL OF INITIAL UNIT PLAN

In accordance with 11 AAC 83.341, 11 AAC 83.343, and Section 8.1 of the proposed SMU Agreement, BRPC, as operator and on behalf of the working interest owners of the proposed SMU hereby requests the Department's and ASRC's approval of the Initial Unit Plan for the SMU. The Initial Unit Plan is enclosed herein.

III. CONCLUSION

Filed herewith is the required number of copies of the complete application. BRPC requests that Geological, Geophysical, and Engineering Submittal be held **CONFIDENTIAL** by the State and ASRC. Also submitted herewith is BRPC's receipt in the amount of \$5,000 for payment of the filing fee required in 11 AAC 83.306(6) and prescribed by 11 AAC 05.010.

If you have any questions or require additional information, please contact me at Brooks Range Petroleum Corporation's offices located at 510 L Street, Suite 601, Anchorage, Alaska, 99501; direct phone line: (907) 865-5804; or e-mail: jwinegarner@brpcak.com.



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Enclosures

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